

See orders in  
Docket 83.9.67  
orders 5051

Service Date: August 18, 1983

DEPARTMENT OF PUBLIC SERVICE REGULATION  
BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MONTANA

\* \* \*

IN THE MATTER Of The Determination	)	
Of The Used And Usefulness Of	)	
Montana Power Company Property,	)	UTILITY DIVISION
Expenses and Revenues.	)	DOCKET NO. 83.8.56
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ORDER TO SHOW CAUSE

1. The Montana Power Company (MPC) is a public utility as defined by Section 69-3-101, MCA, and as such is subject to regulation by the Montana Public Service Commission pursuant to 60-3-102, MCA.

82.8.54  
2. On August 11, 1982, MPC filed a general electric rate application. On May 12, 1983 the Commission issued Order No. 4938a, which disposed of all matters relevant to the application.

82.8.54  
3. Motions For Reconsideration were subsequently filed by MPC and the Montana Consumer Counsel (MCC). These Motions were disposed of in Order No. 4938b.

4. On July 11, 1983, the Public Service Commission (PSC) received from MCC a Motion To Reconsider or Rehear. On July 14, 1983 the PSC received MPC's Statement In Opposition to MCC's Motion.

5. On July 19, 1983, the PSC, by minute entry and Notice Of Commission Action declined to reconsider its actions.

6. MCC's discontent with Order No. 4938b related to the adjustment to revenues attributed to rural electric Coop (REC)

sales. In its initial order the PSC accepted MCC's reconsideration. However, on reconsideration, the PSC adopted the Company's position.

7. The Company's position included for Montana revenue requirements purposes the REC plant, revenues and expenses as filed before the Federal Energy Regulatory Commission (FERC). MCC witness Hess adjusted REC plant, revenues and expenses by use of adjustments commonly accepted in PSC ratemaking before including them for Montana revenue requirements purposes. The MPC approach caused Montana ratepayers to pay about \$1.2 million in higher rates than the MCC approach.

8. The primary difference causing the higher revenue need under MPC's approach was inclusion of an allocated portion of about \$30 million more out of state revenue credits than Hess.

9. MPC argued that the PSC was preempted from specifically allocating a revenue responsibility to the REC's, since FERC has exclusive jurisdiction over sales and rates of electricity for resale. The PSC implicitly accepted MPC's argument thus framed. This agreement, however, does not exhaust the PSC's responsibilities and conclude the fate of the disputed adjustment.

10. Section 69-3-109, MCA requires that property on which a utility earns a return must be "actually used and useful." Accordingly, the Commission orders MPC to show that property, expenses and revenues shown by MCC to be attributable to REC's

are used and useful to PSC jurisdictional ratepayers. Stated differently, MPC needs to show why property, revenues and expenses which are used and useful and allocated to PSC jurisdictional ratepayers should include property revenues and expenses allocated to REC's.

11. The PSC realizes that MPC is about to file another electric rate increase request. It understands that a concurrent filing will be made with FERC to increase the REC revenue requirement, and that the filing will closely match PSC filing philosophy. In addition to the above order, the PSC requests the Company to:


1. Based on its preemption arguments, explain how the Commission could take notice of the FERC filing for interim revenue requirements purposes, if FERC has not finally approved the rates.
2. Explain the potential differences between the PSC filing and the FERC filing, including, but not limited to, items which will cause the FERC-REC revenue requirement to be higher than if it were set by the PSC. Specifically the effects of including CWIP in the FERC rate base should be detailed.

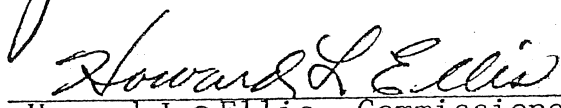
NOW THEREFORE IT IS ORDERED that Montana Power Company shall have ten (10) days from the receipt of this order to show the used and usefulness of the above mentioned property, revenues and expenses to Public Service Commission jurisdictional ratepayers.

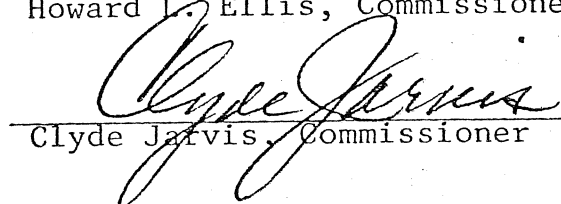
DONE AT HELENA, Montana this 18 , day of August, 1983.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION.

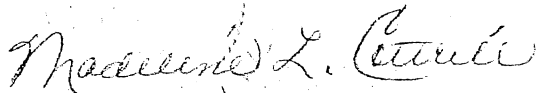
  
Thomas J. Schneider, Chairman

  
John B. Driscoll, Commissioner

  
Howard L. Ellis, Commissioner

  
Clyde Jarvis, Commissioner

ATTEST:

  
Madeline L. Cottrill  
Commission Secretary

(SEAL)